

UNITEDSTATES **CURITIES AND EXCHANGE COMMISSION** Washington, D.C. 20549

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Section ANNUAL AUDITED REPORT FORM X-17A-PART III

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SEC FILE NUMBER

Washington, DC

**FACING PAGE** 

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	01/01/ 08 MM/DD/YY	AND ENDING_	12/31/ 08 MM/DD/YY
A. REGIST	RANT IDENT	IFICATION	
NAME OF BROKER-DEALER:	TLS Financ	ial Services, Inc.	OFFICIAL USE ONLY
ADDRESS OF PRINCIPAL PLACE OF BUSINES	SS: (Do not use P.	O. Box No.)	FIRM I.D. NO.
	920 Provid	ence Road	
Towson	(No. and Street) Mary1		21286-2977
(City)	(State)		(Zip Code)
NAME AND TELEPHONE NUMBER OF PERSO Thomas L. Schmidt  B. ACCOUN	N TO CONTACT  NTANT IDENT	410-	EPORT 825-1295 (Area Code – Telephone Number)
	ak & Associa	tes, P.A.	
(Name	e – if individual, state l	ast, first, middle name)	
139 North Main Street B	el Air	Maryland	21014
(Address)  CHECK ONE:	(City)	(State)	(Zip Code)
☐ Certified Public Accountant ☐ Public Accountant			
☐ Accountant not resident in United St			
FOR	OFFICIAL USI	ONLY	

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.



# OATH OR AFFIRMATION

I, Thomas L. Schmidt	, swear (cr affirm) that, to the best of
my knowledge and belief the accompanying financial statement and supp	
TLS Financial Services, Inc.	. as
of December 31 20 08 are	true and correct. I further swear (or affirm) that
neither the company nor any partner, proprietor, principal officer or dire	
classified solely as that of a customer, except as follows:	ctor has any proprietary interest in any account
oldssified sololy as that of a customer, except as follows.	
	0 101
$\mathcal{A}$	
	man M. Clambo
<u> </u>	with the state of
	Signature
	1010 Nort
	Title
Debias, Balendel	
My Commission Expires: 06/01/2011	
This commission of the	
This report ** contains (check all applicable boxes):  (a) Facing Page.	
(a) Facing Fage.  (b) Statement of Financial Condition.	
(c) Statement of Income (Loss).	
(d) Statement of Changes in Financial Condition.	
(e) Statement of Changes in Stockholders' Equity or Partners' or So	le Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Co	reditors.
(g) Computation of Net Capital.	
(h) Computation for Determination of Reserve Requirements Pursua	
(i) Information Relating to the Possession or Control Requirements	
(j) A Reconciliation, including appropriate explanation of the Compu	
Computation for Determination of the Reserve Requirements Un  (k) A Reconciliation between the audited and unaudited Statements of	
<ul> <li>(k) A Reconciliation between the audited and unaudited Statements of consolidation.</li> </ul>	of Financial Condition with respect to methods of
(1) An Oath or Affirmation.	
(m) A copy of the SIPC Supplemental Report.	
(n) A report describing any material inadequacies found to exist or found	ad to have existed since the date of the previous audit

<sup>\*\*</sup>For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# TLS FINANCIAL SERVICES, INC. STATEMENT PERTANING TO EXEMPTIVE PROVISIONS UNDER 15C3-3(K) December 31, 2008

# Computation for Determination of Reserve Requirement Under Exhibit A Of Rule 15c3-3

Member exempt under 15c3-3(k)

Information Relating to Possession and Control Requirements
Under Rule 15c3-3

Member exempt under 15c3-3(k)

# SCHEDULE OF COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL

# (PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1) DECEMBER 31, 2008

COMPUTATION OF AGGREGATE INDEBTEDNESS Liabilities included in aggregate indebtedness:	
Accounts payable	\$ 500
Aggregate Indebtedness	\$ 500
COMPUTATION OF NET CAPITAL	
Total stockholders' equity	\$ 48,189
Less: Total Non-Allowable Assets	· -
Net Capital	\$ 48,189
CAPITAL REQUIREMENTS	
Net capital required	\$ 5,000
Net capital in excess of requirements	43,189
Net capital, as shown above	\$ 48,189
Ratio of aggregated indebtedness to net capital	.01 to 1
RECONCILIATION WITH COMPANY'S COMPUTATION	•
Net capital, as reported in Company's Part II	
(Unaudited) Focus Report	\$ 48,189
Net Capital Per Above	\$ 48,189
Aggregate indebtedness, as reported in Company's Part II	
(Unaudited) Focus Report	\$ 500
No changes required, as noted during audit	-
Aggregate indebtedness, Per Above	\$ 500

There were no material differences between the audited computation of net capital and the broker/dealer's corresponding Unaudited Part II A.

See Independent Auditors' Report

# **FOCUS REPORT**

FORM X-17A-5

COVER

(Financial and Operational Combined Uniform Single Report)

Part IIA Quarterly 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

Select a filing method:	ere i men samme mengang ing	and the second second second second	entago este besto por companso plan astrono sens	Basic 🤨	Alternate C [0	011]
Name of Broker Dealer:			LS FINANCIAL SE			
				[0013]		SEC File Number: 8- 3766
Address of Principal Plac	e of Business	<b>s</b> :	920 PRO	VIDENCE RD [0020]		[0014
			TOWSON MD	21286-2977		Firm ID: <u>1962</u>
			[0021] [0022]	-		[0015
For Period Beginning 10/	/01/2008 A	nd Ending	12/31/2008	ি কম্পন্নিক প্ৰথমি পৰি এইক্ষেপ্ট বিশ্ব হ্য নামুক্তি প্ৰথমিক ট'ব স্বান্ধ্যক্ষ কৰা কৰি কৰিছে।	igende milite yn omstern i waterprop magen, god medie de	и во оботне бола и то возваде надела видели дения вистем постоя и учествення видели в под видели в под видели В под применения видели в под видели в под видели видели видели видели видели видели видели видели видели виде
	[0024]		[0025]			
	[0024]	the war transport of a page of the level	ett der ter finkt i skrift koppelæret etterstelpt. Di yfret ber finkt været.		14, P., S. P. West visus Saumer, Intrastriell, in Jesukostyre	nati valeda viitti kaasi kas kaastiin siiri siis sii siistiin kaa kaastii kaastii kaastii kaastii ka kaastii s
en de la companya de	[0024] ber of persor	to contac	et in regard to this re	eport:	194 il 2000 st. II i Marantana Folloren, Bilverstratik di jendendejet	পৰ্যা আৰক্ষিত প্ৰথম কৰে পৰিয়োগৰ সংগ্ৰাম প্ৰতিষ্ঠান কৰিব কৰিব স্থানিক বিশ্বস্থান সভিত্যালয় হৈ প্ৰথম কৰিব স্থানিক বিশ্
Name and telephone num	[0024] ber of persor	to contac	t in regard to this rehone: <u>(410)</u> 825-	eport:	t til for sjoll villational forstern lavtestrink skipssandyr	en verker utteragn sig skritterer verker i kom allakerlandssak skuleren, sig tilbe en
Name and telephone num	[0024] ber of persor MIDT - PRES	to contact IDENT P	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	194 Pour de l'Année de la Commentation de l'Année de la Commentation de l'Année de l'Ann	nati wakati afikangan na wakatiran mater a Paper aliano ha makuki dawa saka saka sa
Name and telephone num Name: <u>THOMAS L. SCH</u>	[0024] ber of persor MIDT - PRES	n to contact IDENT P [0030] nsolidated	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	196 (2004) vil Vivillandisch Statieve, Schreitenbeschen Schreisbeschen	na valde utsagen iku aktorom erre e ken elleks kolasak tawelen, sa cida en
Name and telephone num Name: <u>THOMAS L. SCH</u> Name(s) of subsidiaries or Name:	[0024] ber of persor MIDT - PRES affiliates cor Phone:	n to contactification of the contaction of the c	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	74. Pr. v CIV Wenness Suites, laborates alposación	Michaele (1999). Bei allettere eiter eiter absolierleeffant Japanere, he izon ee
Name and telephone num Name: <u>THOMAS L. SCH</u> Name(s) of subsidiaries or Name:	[0024] ber of persor MIDT - PRES affiliates cor Phone:	n to contactification of the contaction of the c	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	t till form sjull vilkettellad til Liber, lavtettella liske lavtettella liske lavtettella liske lavtettella l	स्वरूप स्वरूपके के अध्यक्षित के अध्यक्षित है जिस है ज
Name and telephone num Name: THOMAS L. SCHN Name(s) of subsidiaries or Name: [0032] Name: [0034]	[0024] ber of persor MIDT - PRES affiliates cor Phone: Phone:	n to contactification of the contaction of the c	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	194 (2004) vi Al-V Marriand Souther, Buchestrieb Gelevinolege	स्था न सेवेट प्रतिवस्था के वा अवस्थापण श्रावण न श्राप्य अधिका श्रिप्यक्षित्र अन्ति स्थाप को उन्नेत रा
Name and telephone num Name: THOMAS L. SCHN Name(s) of subsidiaries or Name: [0032] Name: [0034]	[0024] ber of persor MIDT - PRES affiliates cor Phone: Phone:	n to contact IDENT P [0030] nsolidated [0033]	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	19. ro. volv Warrian Suzev, listerinen ülpununge	Minades attempt as dispressives of the abbest community of the second
Name and telephone num Name: THOMAS L. SCHN Name(s) of subsidiaries or Name: [0032] Name: [0034] Name: [0036]	ber of persor MIDT - PRES affiliates cor Phone: Phone:	n to contact IDENT P [0030] nsolidated [0033] [0035]	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	194 Pour Guits Meantach (Austria) Bullechteris Guisseachde	na valkar utanaga ing akataran prapir a kara akika katana kalanda na sajan an
Name and telephone num Name: THOMAS L. SCHN Name(s) of subsidiaries or Name: [0032] Name: [0034] Name: [0036]	[0024] ber of persor MIDT - PRES affiliates cor Phone: Phone:	n to contact IDENT P [0030] nsolidated [0033] [0035]	t in regard to this rehone: <u>(410) 825-</u>	eport: 1295	rok izv. (u.) v vietrobalistusev, lavostrok aljuvavava	स्था प्रस्तिक व्यवस्थायो स्था अक्षाव्याच्या में स्थाप में द्वारा में में स्थाप स्थापना स्थापना स्थापना स्थापना

Exempted securities

# **ASSETS**

			Allowable	Non-Allow	/able	Total	
1.	Cash		48,690				48,69
1.	Casn		[0200]				[075
2.	Receiva dealers:	bles from brokers or					
	Α.	Clearance					
		account	[0295]				
	В.	Other	[0300]		[0550]	,	5004
_			focol		[0550]		[081
3.	Receival	oles from non-	[0355]		[0600]		[083
	Custonie						1000
4.		s and spot	¥.				
	commod market v	ities owned, at alue:					
	Α.	Exempted securities	[0418]				
•		securities .					
	В.	Debt securities	[0419]				
	_	• •					
	C.	Options	[0420]				
	D.	Other securities					
			[0424]				
	E.	Spot	[0430]				inos
		commodities	[0400]				[0850
<b>5.</b>		s and/or other					
		nts not readily					
	marketab	le:					
	A.	At cost					
		[0130]					
	_						
	₿.	At estimated fair value	[0440]		[0610]	Miles and the Vigorians	[0860]
•		borrowed under	[0460]		[0630]	<u> </u>	[0880]
		ition agreements ers' individual and	[]		[0000]		LOGO
		curities accounts,					
	at market						

	[0150]			
	B. Other securities			
	[0160]			
7.	Secured demand notes market value of collateral:	[0470]	[0640]	<u>0</u> [0890]
	A. Exempted securities			
	[0170]			
	B. Other securities			
	[0180]			
8.	Memberships in exchanges:			
	A. Owned, at market			
	approximate the second			
	[0190]			
	B. Owned, at cost		[0650]	
	C. Contributed for			0
	use of the		[0660]	[0900]
	company, at			
	market value			
9.	Investment in and receivables from affiliates,	[0480]	[0670]	[0910]
	subsidiaries and associated		-, •	•
	partnerships			
10.	Property, furniture,	[0490]	[0000]	0
	equipment, leasehold improvements and rights	[0490]	[0680]	[0920]
	under lease agreements, at			
	cost-net of accumulated depreciation and			
	amortization			
11.	Other assets	**************************************		0
		[0535]	[0735]	[0930]
12.	TOTAL ASSETS	<u>48,690</u> [0540]	<u>0</u> [0740]	48,690 [0940]
	I VIAL ROSE IS	- •	<b>*-</b>	[00.0]

# LIABILITIES AND OWNERSHIP EQUITY

	Ł	iabilities	A.I. Liabilities	Non-A.I. Liai	bilities	Tota	al
13.	Bank loa	ans payable	[1045]		[1255]		0 [1470]
14.	Payable	to brokers or dealers:					[]
	Α.	Clearance account	[1114]		[1315]		<u>0</u> [1560]
	В.	Other	[1115]		[1305]		<u>0</u> [1540]
15.	Payable	to non-customers	[1155]		[1355]		<u>0</u> [1610]
16.	Securitie at marke	s sold not yet purchased, t value			[1360]	•	0 [1620]
17.		s payable, accrued , expenses and other	<u>500</u> [1205]		[1385]	_	500 [1685]
18.	Notes an	d mortgages payable:			11		[1000]
	A.	Unsecured	[1210]				<u>0</u> [1690]
	В.	Secured	[1211]		[1390]		[1700]
19.	Liabilities general c	subordinated to claims of creditors:					
	A.	Cash borrowings:			[1400]	-	<u>0</u> [1710]
		1. from outsiders					
		[0970]					
		2. Includes equity					
		subordination (15c3-1(d)) of					
		[0980]					
	B.	Securities borrowings, at market value:			[1410]	_	<u>n</u> [1720]
		from outsiders					
		[0990]					
	C.	Pursuant to secured	/ \				

[1796]

		demand	note collateral						^
		agreeme	ents:				[1420]		[1730]
		1.	from						
			outsiders						
			<del></del>						
			[1000]						
		2.	Includes						
			equity						
			subordination						
			(15c3-1(d)) of						
			[1010]						
	_								
	D.	Exchang member:	•						
			ted for use of						
			y, at market						0
		value					[1430]	•	[1740]
	E.	Accounts	s and other						• • • • • •
		borrowin							
			for net capital	_					0
		purposes	<b>S</b>		[1220]		[1440]	•	[1750]
20.					500		0		500
	TOTAL	LIABLITIES	<b>3</b> ·	<del></del> _	[1230]		[1450]		500 [1760]
turi seril resulta e e	ika ya Kubatha ya wasa ka Magangaya	$\ (f(y_0,f)^{-1}(x))\ _{L^2(\Omega^2)}^2 \leq \ (f(y_0,f)^{-1}(x))\ _{L^2(\Omega^$	internation and as in the second relative court, many still and, consistently to	en Samer Colon (Charles Colon Co Colon Colon (Colon Colon Co	TENT CHINAMING OF A CHARLO DIFTER STATES OF STATES OF	erretariotassa e terretario de la come	The Mark Color and Service Company Company Company	enthines where the transient energy by equality ( see )	errorrosson son en al anticado
Own	ership i	Faulty							
O	oramp :	Lquity							
								Tota	
21.	Sole pro	prietorship							
		,							[1770]
22.		hip (limited	partners						
	[1020])								[1780]
23.	Corporat	tions:		4					
	A.	Preferred	stock					-	[1791]
	_	_							100
	B.	Common	stock						[1792]
	C.	Addition -	I noid in conital					-	28,731
	C.	Auditiona	ıl paid-in capital						[1793]
	D.	Retained	earninge						19,358
		· wwilled							[1794]
									48,189
	E.	Total							[1795]

Less capital stock in treasury

24.	TOTAL OWNERSHIP EQUITY	<u>48,189</u> [1800]
25.	TOTAL LIABILITIES AND OWNERSHIP EQUITY	<u>48,689</u> [1810]

# STATEMENT OF INCOME (LOSS)

280 - 1200 Bagg	Perio	od Beginning <u>10/01/2008</u> [3932]	Period Ending <u>12/31/2008</u> [3933]	Number of months _	3 [3931]
RE	/ENUE	The second secon	an media kuming kalang memberak salah dalah kalmatan median kerabakan dalam kalam kalam salam salam salam salam	add mae straiding i well-todde legalega dewe valenter verlegder (e. desprey ver and	en e
1.	Commis	ssions:			
	a.	Commissions on transactio	ns in exchange listed equity securities execut	ed on	[3935]
	b.	- ·	on Annua and annua		[0000]
		Commissions on listed opti			[3938]
	c.	All other securities commis	sions	-	[3939]
	d.	Total securities commission	ıs	_	0
2.	Gains or	losses on firm securities trading	accounts		[3940]
	a.	From market making in option	ons on a national securities exchange		[3945]
	b.	From all other trading		-	[3949]
	c.	Total gain (loss)		_	<u>0</u>
					[3950]
3.	Gains or	losses on firm securities investr	nent accounts	<del>-</del>	[3952]
4.	Profit (los	ss) from underwriting and selling	groups	. –	[3955]
5.	Revenue	from sale of investment compar	ny shares	· · · · · · · · · · · · · · · · · · ·	8,837
			•		[3970]
6.	Commod	lities revenue		_	[3990]
7.	Fees for	account supervision, investment	advisory and administrative services	_	[3975]
8.	Other rev	enue		_	
9.	Total reve				[3995] 8,837
	ENSES	enue			[4030]
~ <b>/</b> (F)	LNGES				
10.	Salaries a	and other employment costs for g	general partners and voting stockholder officers	-	4,140 [4120]
11.	Other em	ployee compensation and benef	its		293
12.	Commissi	ions paid to other broker-dealers			[4115]
					[4140]
13.	Interest ex	kpense			[4075]
	a.	Includes interest on accounts	subject to		

	subordination agreements	[4070]	
14.	Regulatory fees and expenses		445
14.	Regulatory lees and expenses		[4195]
4.5	Other evenesses		1,500
15.	Other expenses		[4100]
16.	Total avenages		6,378
10.	Total expenses		[4200]
NET	INCOME		
			2,459
17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less It	em 16)	[4210]
			[12.0]
18.	Provision for Federal Income taxes (for parent only)		[4220]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above		[4222]
	a. After Federal income taxes of	[4238]	
20.	Extraordinary gains (losses)		[4224]
	a. After Federal income taxes of	[4239]	
21.	Cumulative effect of changes in accounting principles		[4225]
			2.459
22.	Net income (loss) after Federal income taxes and extraordinary items		[4230]
MONT	THLY INCOME		[1200]
			4.40
23.	Income (current monthly only) before provision for Federal income taxes and e	extraordinary items	<u>4,195</u> [4211]
			144111

# **EXEMPTIVE PROVISIONS**

23,	exemption is based	the section upon	which such	
	A. (k)(1)—Limited business (mutual funds and/or va	riable annuities	only)	<b>▽</b> <sub>[4550]</sub>
	B. (k)(2)(i)—"Special Account for the Exclusive Ben	efit of customer	s" maintained	[4560]
	C. (k) (2)(ii)—All customer transactions cleared thro fully disclosed basis. Name of clearing firm(s	[4570]		
	Clearing Firm SEC#s	Name		Product Code
	8			[4335B]
	[ <b>4</b> 335A]		[4335A2]	
	8			[4335D]
	[4335C]		[4335C2]	•
	8	-		[4335F]
	[4335E]		[4335E2]	
	8			[4335H]
	[4335G]		[4335G2]	
	8	-		[4335J]
	[43351]		[433512]	
	D. (k) (3)—Exempted by order of the Commission			[4580]

# **COMPUTATION OF NET CAPITAL**

1.	Total ov	wnership equity fro	m Statement of Financ	ial Condition			48,189
							[3480]
2.	Deduct	ownership equity r	not allowable for Net Ca	apital			[3490]
3.	Total ov	wnershin equity qua	alified for Net Capital				48,189
•	, ota, o,	molosup equity que	anned for Net Capital				[3500]
4.	Add:						
	A.	Liabilities subc	ordinated to claims of	general creditors	allowable in		0
		computation of	f net capital				[3520]
	В.	Other (deduction	ons) or allowable cred	lits (List)			
			[3525A]		[3525B]		
			[25250]				
			[3525C]		[3525D]		٠
			[3525E]		[3525F]		0 [3525]
5.	Total ca	pital and allowable	subordinated				48,189
	liabilities		· ·				[3530]
6.	Deduction	ons and/or charges	:				
	A.	Total nonallows	ble assets from		0		
		Statement of Fi	nancial Condition		[3540]		
	В.	Secured deman	d note deficiency		[3590]		
	C,	Commodity futu	ires confracts				
	-	and spot comm			[3600]		
		proprietary capi	ital charges				
	D.	Other deduction charges	ns and/or		[3610]	. •	<u>0</u> [3620]
7.	Other ad						
	Other au	lditions and/or cred	IIS (LIST)				
			[3630A]		[3630B]		
			[3630C]		[3630D]		
			[3630E]		[3630F]		0 [3630]
8.	Not conit	ol hoforo hairente e			[00001]		48,189
٠.	positions	tal before haircuts o	ni secunties				[3640]
9.		on securities (comp e, pursuant to 15c3					
	Α.	Contractual secu	urities				

*		commit	ments		[3660]		
	В.	Subord borrowi	nated securities ngs		[3670]		
	C.	Trading securiti	and investment				
		1.	Exempted securities		[3735]		
		2.	Debt securities		[3733]		
		3.	Options		[3730]		
		4.	Other securities		[3734]		
	D.	Undue C	concentration		[3650]		
	E.	Other (L	ist)				
			[3736A]		[3736B]		
			[3736C]		[3736D]		
			[3736E]		[3736F]		
					0		0
					[3736]		[3740]
10.	Net Capit	tal					48,189 [3750]
Ne ober 1856 so (2 sgr.)	etalen eranggan aventer gegege	rafina dispersión de describe	r ferri et var kroodstredelijk in stojene upprekundsjewing to et visiere en visigstrevindelijk proposities omde	ইয়াৰ, সংগ্ৰহ আ কটু কলা হয়, ক্ৰাকুট আইকেবলনে। তুলুকুছু পশা এচন	TO SECTION SIZE, TO COMPANY SECTION SECTIONS SECTIONS AND SECTION SECTIONS.	recontribute in the English and the English and the Angles in the English and	· 人名英格兰斯克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克克
			COMPUTATION OF BASI	C NET CAPITA	L REQUIREME	ENT	
Part A				•			
11.	Minimum	net capital	required (6-2/3% of line 19)	,			33
							[3756]
12.	Minimum	dollar net	capital requirement of reporting bro	ker or dealer and			5,000 [3758]
	with Note	(A)	requirement of subsidiaries compu	ited in accordance			[0,00]
13,	Not conite	al roquiron	ant formation of the state of the				5,000
10,	Net Capita	ai requirein	ent (greater of line 11 or 12)				[3760]
14.	Excess ne	et capital (I	ne 10 less 13)				43,189 [3770]
15.	Evenes no		40000/ (1) 404 404				48,139
10.	EXCUSS HE	ət capıtaı a	1000% (line 10 less 10% of line 19	9)			[3780]
			00410111111111111		en en en en regeneration en regeneration (European) en	th 1999 that to the Member of Alexander Service of Age	interference de distribution de la companya del companya de la companya de la companya de la companya del companya de la companya del la companya del la companya de la companya del la companya de la co
			COMPUTATION OF A	GGREGATE IND	DEBTEDNESS		
16.	Total A.i. I	liabilities fr	om Statement of				500
	Financial (						[3790]
				_			

(21)

17.	Add:							
	A.	Drafts for immed	diate credit		[3800]			
	B.	Market value of borrowed for wh equivalent value credited	nich no		[3810]			
	C.	Other unrecorde	ed amounts(List)					
			[3820A]		[3820B]			
			[3820C]		[3820D]			
			[3820E]		[3820F]			
					<u>0</u> [3820]		_	[3830]
19.	Total agg	gregate indebtednes	ss					500 [3840]
20.		ge of aggregate ind ne 19 / line 10)	lebtedness to net		ON PERSON IN CONTROL OF A CONTROL OF THE CONTROL OF		%	[3850]
		•		OTHER RATIOS		mentekan kecamatan perdapatan perdapatan perdapatan perdapatan perdapatan perdapatan perdapatan perdapatan per	en aller i in die Triege de Gr <sub>e</sub> uge 200	T-12 APT 1998, PS-20 E ST
21.	Percenta	ge of debt to debt-e	equity total compute	ed in accordance with			%	0
	Rule 15c	3-1(d)						[3860]

#### **SCHEDULED WITHDRAWALS**

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	<b>in</b> sider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	to
[4600]		[4602]			
	[460	1]	[4603]	[4604]	[4605]
<b>[4610]</b>	· .	[4612]			
	[461]		[4613]	[4614]	[4615]
_ [4620]		[4622]			•
	[462		[4623]	[4624]	[4625]
_ [4630]		[4632]		•	
	[463		[4633]	[4634]	[4635]
[4640]		[4642]		• • • • • •	
	[464]		[4643]	[4644]	[4645]
[4650]	•	[4652]	•		[]
	[4651		[4653]	[4654]	[4655]
_ [4660]	-	[4662]	• • • • • • • • • • • • • • • • • • • •		1,,,,,,
	[4661		[4663]	[4664]	[4665]
[4670]	•	[4672]	()	[]	[.000]
	[4671		[4673]	[4674]	[4675]
_ [4680]		[4682]	[love]	[1014]	[4070]
	[4681		[4683]	[4684]	[4685]
_[4690]	1.00	[4692]	[0004]	[+00+]	[+000]
_[]	[4691		[4693]	[4694]	146051
	[100]	TOTAL \$		[+034]	[4090]
		IOIAL	0 [4699]		
			Omit Pennies		

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

### STATEMENT OF CHANGES

# STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance	, beginning of period		45,730
••	Dalarioo	, beginning of period		[4240]
	A.	Net income (loss)		2,459
		net moone (1033)		[4250]
	В.	Additions (includes non-conforming capital of	[4262])	[4260]
	c.	Deductions (includes non-conforming capital of	[4272])	[4270]
2.	Balance	, end of period (From item 1800)		<u>48,189</u> [4290]
		STATEMENT OF CHANGES IN LIABILITIES TO CLAIMS OF GENERAL CREI		
3.	Balance,	beginning of period		[4300]
	A.	Increases		[4310]
	В.	Decreases		[4320]
	_			0
4.	Balance,	end of period (From item 3520)		[4330]



139 North Main Street, Suite 300 Bel Air, MD 21014

# Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors TLS Financial Services, Inc.

In planning and performing our audit of the financial statements of TLS Financial Services, Inc. for the year ended December 31, 2008, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure of the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a reportable condition under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level that risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matter involving segregation of duties that we consider to be a material weakness as described above. This condition was considered in determining the nature, timing and extent of procedures performed in our audit of TLS Financial Services, Inc., for the year ended December 31, 2008 and this report does not affect our report thereon dated January 20, 2009.

The Company does not have an adequate segregation of duties over accounting transactions. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2008, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used for any other purpose.

Kurchi Associatio, P.A.

Baltimore, Maryland January 20, 2009

# TLS FINANCIAL SERVICES, INC. FINANCIAL STATEMENTS

**December 31, 2008** 

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AS REQUIRED BY SEC RULE 17A-5		



139 North Main Street, Suite 300 Bel Air, MD 21014

#### Independent Auditor's Report

The Board of Directors
TLS Financial Services, Inc.
Towson, Maryland

We have audited the accompanying statement of financial condition of TLS Financial Services, Inc. as of December 31, 2008, and related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TLS Financial Services, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Financial and Operational Combined Uniform Single Report IIa and Statement Pertaining to Exemptive Provisions Under 15c3-3 (k) are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kungah : Associates, P.A.

Total Liabilities and Stockholders' Equity

Balance Sheet See Auditor's Report			
December 31, 2008			
ASSETS			
Current Assets: Cash and cash equivalents		\$	48,689
Total Assets		\$	48,689
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities: Accounts payable		\$	500
Stockholders' Equity: Common stock \$1.00 par value; authorized 100,000 shares Issued and outstanding 100 shares Additional paid-in capital Retained earnings Total stockholders equity		· · · · · · · · · · · · · · · · · · ·	100 28,731 19,358 48,189

48,689

# Statements of Income and Retained Earnings

See Auditor's Report

December 31, 2008

INCOME		
Commissions	\$ .	50,805
EXPENSES		
Commissions		25,689
Management fee		6,000
Professional fees		3,740
Insurance		2,173
Other expenses		300
		37,902
Net income	\$	12,903
RETAINED EARNINGS		
Retained earnings, beginning of year	\$	56,455
Net income	Ψ	12,903
Distributions to stockholder		(50,000)
Retained earnings, end of year	\$	19,358

# **Statement of Cash Flows**

See Auditor's Report

December 31, 2008

Cash flows from operating activities:		
Net income	\$	12,903
Adjustments needed to reconcile net income to		·
net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Increase decrease in		
Decrease in commissions receivable		75
Decrease in accounts payable and other liabilities		(38)
Net cash provided by operating activities	-	12,940
Cash flows from operating activities:		
Distributions to stockholders	<del></del> ;	(50,000)
Increase in cash and cash equivalents		(37,060)
Cash and cash equivalents, beginning of year		85,749
Cash and cash equivalents, end of year	\$	48,689

#### **Notes to Financial Statements**

See Auditor's Report

December 31, 2008

#### 1. Line of Business and Summary of Significant Accounting Policies

### Nature of Business and Reporting Entity

TLS Financial Services, Inc. was incorporated in Maryland in 1986. The Company advises investors in the Mid-Atlantic region, in the purchase of mutual fund investments and acts as an agent, receiving commissions from mutual fund families when their clients purchase mutual fund investments. The Company's business is limited to mutual funds.

### Revenue and Cost Recognition

Revenues are derived primarily from brokerage commissions. They are recorded on the accrual basis.

#### Cash and Equivalents

For the purposes of the cash flow presentation, the Company considers all cash on deposit and money market funds as cash and equivalents.

#### Commissions Receivable

Commissions receivable represent commissions due from various mutual fund families. These receivables are generally fully collected within 30 days. As a result, management has not provided an allowance for doubtful accounts on these receivables.

#### **Income Taxes**

The stockholder of the Company has elected to be taxed in accordance with the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, in lieu of corporate income taxes, the individual shareholder is taxed on his proportionate share of the taxable income of the Company. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

#### Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements contain no significant estimates.

Notes to Financial Statements (continued) See Accountant's Review Report

For the year ended December 31, 2008

#### 2. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission uniform net capital rule (Rule 15c3-1) which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2008, the Company had net capital requirements of approximately \$48,190 and \$5,000, respectively. The Company's aggregate indebtedness to net capital ratio was .01 to 1.

## 3. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash.

The Company maintains cash with one financial institution, but is within the FDIC limits. As part of its cash management process, the Company performs periodic evaluations of its credit standing of the financial institution.

#### 4. Related Party Transactions

TLS Advisory Services, Inc. a related party through common ownership maintains office space used by the Company. During the year the Company paid TLS Advisory Services, Inc. \$500 per month under a month-to-month arrangement as a management fee for their use of office space and supplies. The management fee for the year ended December 31, 2008 was \$6,000.

The Company paid commissions in the amount of \$23,073 to the sole stockholder during the year ended December 31, 2008.